

Message Text

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ACTION CU-03

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FOR CU/EA

E.O. 11652: N/A

TAGS: OEXC, JA

SUBJ: GARIOA CONVERTIBILITY

REF: STATE 296157

1. DPAO, EXCHANGES OFFICER AND FINANCIAL ATTACHE (RASMUSSEN) HELD CONVERSATIONS DECEMBER 18 AT MFA WITH NISHIMIYA AND STAFF ON CONVERTIBILITY ISSUE. WE PRESENTED ONLY FIRST ALTERNATIVE.

2. AT THIS JUNCTURE WE CAN CONVEY MOSTLY IMPRESSIONS SINCE GAIMUSHO WILL HAVE TO STUDY MATTER AND OBTAIN VIEWS OF FINANCE MINISTRY. WE URGED A SPEEDY RESPONSE ON GROUNDS APPROPRIATION MIGHT BE FORTHCOMING SHORTLY. WE LEARNED FROM RUENITZ TODAY THAT 30 MILLION APPROPRIATION, INCLUDING ALL OF GARIOA, PASSED BOTH HOUSES A WEEK AGO AND CONSIDER REGRETTABLE WE WERE NOT INFORMED EARLIER OF THIS DEVELOPMENT AS NISHIMIYA AND MATSUMURA QUESTIONED US CLOSELY ON THIS.

3. NISHIMIYA SEEMED VERY EAGER TO BE HELPFUL AND WILL DO EVERYTHING HE CAN TO AVOID ISSUE COMING TO IMPASSE. STATED H HOPES CONVERSION CAN BE ACCOMPLISHED WITHOUT ANY CHANGE IN 1962 AGREEMENT OR EXCHANGE OF NOTES. PROVISION IN ACT THAT MONIES DERIVING FROM GARIOA

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APPROPRIATION MUST BE EXPENDED IN JAPAN APPEARED TO

BE HELPFUL.

4. WE EMPHASIZED THAT THIS WAS ENTIRELY DIFFERENT REQUEST FROM THAT MADE IN SPRING 1974 CARTER-HORI DISCUSSIONS SINCE NOW ALL GARIOA MONEY WILL CLEARLY BE USED MONLY IN JAPAN. WE ALSO EXPRESSED STRONG VIEW THAT SUCH CONVERSION OF GARIOA YEN FOR INVESTMENT PURPOSES DID NOT VIOLATE 1962 AGREEMENT, AS LONGAS FUNDS EARNED WERE USED IN JAPAN.

5. MATSUMURA AND KAGAMI, WHO WERE MORE FAMILIAR WITH PAST HISTORY OF GARIOA, WERE MORE PESSIMISTIC AND EXPRESSED CONCERN OVER INTERPRETATION OF WORD "EXPENDITURES" IN ARTICLE V. SEEMED TO FEEL FINANCE MINISTRY WOULD INTERPRET STRICTLY. RASMUSSEN STATED THAT "EXPENDITURE" WAS NOT ACCURATE DESCRIPTION, SINCE U.S. TREASUREY WOULD SIMPLY BE TRANSFERRING ASSETS FROM ONE FORM TO ANOTHER AND THAT THE GARIOA FUNDS WOULD NOT BE "PURCHASING" ANYTHING. THIS EXPLANATION SEEMED TO MAKE AN IMPRESSION. HOWEVER, MATSUMURA CONTINUED TO ASK WHY WE BELIEVED 1962 AGREEMENT PERMITTED US THE KIND OF TWO-WAY CONVERSION WE WERE TALKING ABOUT.

6. NISHIMIYA ASSURED US THAT GAIMUSHO AND FINANCE MINISTRY WOULD GIVE MATTER PROMPT AND CAREFUL STUDY AND THAT REPLY WOULD BE FORTHCOMING AS SOON AS POSSIBLE. HOWEVER, WE NOW ENTERING YEAR-END DOLDRUMS IN JAPAN AND IT MAY NOT BE POSSIBLE TO GET RESPONSE BEFORE MID-JANUARY. PASSAGE OF APPROPRIATION MAY, WE FEEL, PUT MORE URGENCY ON MATTER AND SPEED THINGS UP.
HODGSON

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